

Wheeler Township
(Oratio)
Financial Statements

June 30, 2004



Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

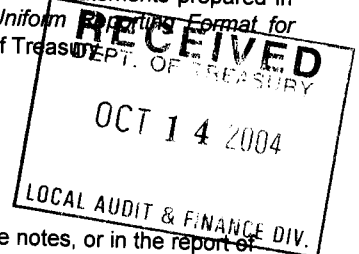
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Wheeler Township	County Gratiot
Audit Date 6/30/04	Opinion Date 9/1/04	Date Accountant Report Submitted to State: 10/12/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) ROSLUND, PRESTAGE & CO., PC, CPA'S			
Street Address 308 GRATIOT AVENUE		City ALMA	State MI
Accountant Signature <i>[Signature]</i>		ZIP 48801	Date 10/12/04

Wheeler Township
Financial Statements
June 30, 2004

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Independent Auditor's Report

Wheeler Township Board
Gratiot County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Wheeler Township as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Wheeler Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Wheeler Township, as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, in 2004, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 1, 2004 on our consideration of Wheeler Township's internal control structure over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages I-IV and the budgetary comparison information on pages 16 – 18 are not a required part of the basic financial statements but is supplementary information required by the accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Roslund, Prestage & Co, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

September 1, 2004

MANAGEMENT'S DISCUSSION and ANALYSIS

Wheeler Township Management Discussion and Analysis

We, the Township Board of Wheeler Township, offer citizens of the Township, our financial statements with this narrative overview and analysis of the financial activities of Wheeler Township for the fiscal year ended June 30, 2004.

Financial Highlights

- The unrestricted net assets of Wheeler Township exceeded its liabilities at the close of the most recent fiscal year by **\$245,488**, which may be used to meet the Township's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of **\$245,488**, a decrease of **\$57,742** from the prior year fund balance.
- At the end of the current fiscal year, unreserved fund balance for the general fund was **\$244,327** or **95%** percent of total general fund expenditures.
- The Township's total expenditures increased by **\$3,364** during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Wheeler Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as fire runs receivable.

Both the government-wide financial statements distinguish function of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The *governmental activities* of the Township include: general government, public safety, road projects projected sanitation, and culture and recreation.

The government-wide financial statements can be found on pages 1 & 2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Wheeler Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: Governmental funds, proprietary funds, and fiduciary funds.

Government Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, citizens may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Wheeler Township maintains three (3) individual governmental funds, including the following: General Fund, Street Light Fund, and Capital Sewer Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. All are considered to be Major Funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7-15 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Township's Budget to Actual comparison. Required supplementary information can be found on pages 16-18 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of Wheeler Township, total assets, including capital assets, exceeded liabilities by \$424,894 at the close of the most recent fiscal year.

One of the most significant portions of the Township's net assets, reflects its careful investment in capital assets (e.g., land, buildings, equipment), over the years, with no related debt remaining to acquire these assets. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Governmental Activities. Governmental activities decreased the Township's net assets by \$44,615. Key elements of this decrease are as follows:

1. Further development of the Wheeler Township, Cross Children's Memorial Park. An increase in the appearance and usability of play equipment within the park itself.
2. The remodeling and expansion of the township elected official's offices.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Financial Analysis of the Township's Funds

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

Unrestricted net assets of the projected Capitol Sewer fund at the end of the year amounted \$73. Factors concerning the finances of the fund will not be addressed until 2005 when a grant for \$1.5 million from USDAs Rural Development is expected. A bond issue will also be addressed at that time for approximately \$500,000 for 25% of the debt retirement on the proposed sewer project.

General Fund Budgetary Highlights

The differences between the original budget and final amended budget was a \$285 increase in appropriations and can be briefly summarized as follows - Uncollectible fire runs, increase in the number of rescue runs which the township does not bill for reimbursement, and unexpected cost factor to upgrade the electrical for the office remodel project.

Capital Asset and Debt Administration

Capital Assets. The Township's investment in capital assets for its governmental activities as of June 30, 2004, amounts to \$179,406, which is net of accumulated depreciation. This investment in capital assets includes: land, buildings and system, improvements, equipment, and park facilities.

Major capital asset events during the current fiscal year included the following:

1. Hall office remodel
2. New park equipment
3. New air conditioning unit for hall

Details of the Township's capital assets are continued in the notes to the financial statements on page 14.

Long-Term Debt. At the end of the current fiscal year, the Township had no major debts left outstanding.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State-shared revenues are expected to again, decrease in the 2004-2005 fiscal year. The Township budgeted for this decrease in state-shared revenue, but additional cuts have already been made and more cuts are expected before the end of the fiscal year. The Township's millage rate was reduced again by the Headlee Amendment rollback to 1.026 mills for general operating purposes. Also considered was the low return of interest payments on the Township's money-market, CD's and Treasury note which all figure into the general fund appropriations. These factors were all considered in preparing the Township's budget for the 2004-2005 fiscal year.

The Township presented a balanced budget in the 2004-2005 fiscal year, although some funding is expected to be withdrawn from the current fund balance accounts held in reserve to meet budgeted appropriations.

No rate increases for fire or rescue runs were proposed as rates had been increased only two years ago. No rate increases for hall rentals were proposed as those had also been reviewed two years ago and increased. An increase in the sale of cemetery lots had doubled from \$50.00 a lot to \$100.00 a lot, just this past year. A fire millage has been approved to be placed on the November 2, 2004 General Election in anticipation for an expected increase in revenues of \$32,400.00 to be placed in a restricted new vehicle and equipment replacement fund, to ease some of the lost state-share revenue. Miscellaneous funding may be anticipated for Civil Infractions, which were not included in the 2004-2005 Budget as enforcement of Township Ordinances is contracted with the Village of Breckenridge Police Department.

Requests for Information

This financial report is designed to provide a general overview of Wheeler Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the supervisor of the Township in writing at 8510 E. Monroe Rd., Wheeler Michigan, 48862 or by telephone 989-842-3428.

**BASIC FINANCIAL STATEMENTS -
GOVERNMENT WIDE FINANCIAL STATEMENTS**

Wheeler Township
Government Wide Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and cash equivalents	\$216,844
Investments	16,830
Accounts receivable, net	2,090
Due from other governmental units	<u>15,764</u>
Total current assets	<u>251,528</u>
Noncurrent assets	
Capital assets less accumulated depreciation	<u>179,406</u>
Total assets	<u>430,934</u>
Liabilities	
Current liabilities	
Accounts payable	<u>6,040</u>
Total liabilities	<u>6,040</u>
Net Assets	
Invested in capital assets, net of related debt	179,406
Unrestricted	<u>245,488</u>
Total net assets	<u><u>\$424,894</u></u>

See accompanying notes to financial statements

Wheeler Township
Government Wide Statement of Activities
For the year ended June 30, 2004

Functions/Programs	Program Revenues		Net (expense) revenue and changes in net assets
	Expenses	Charges for Services	
Primary Government			
General government	\$148,329	\$6,247	(\$142,082)
Public safety	38,445	8,590	(29,855)
Public works	55,052		(55,052)
Recreation and culture	5,383		(5,383)
Total primary government	247,209	14,837	(232,372)
General Revenues			
Property taxes			77,031
State shared revenues			99,133
Unrestricted investment earnings			3,399
Miscellaneous revenues			8,194
Total general revenues			187,757
Change in net assets			(44,615)
Net assets - beginning of year			478,775
Prior period adjustment			(9,266)
Net assets - end of year			\$424,894

See accompanying notes to financial statements

FUND FINANCIAL STATEMENTS

Wheeler Township
Balance Sheet
Governmental Funds
June 30, 2004

	MAJOR FUNDS			Total Governmental Funds
	General	Street Light	Capital Projects	
<u>Assets</u>				
Cash and cash equivalents	\$215,442	\$1,329	\$73	\$216,844
Investments	16,830	-	-	16,830
Accounts receivable, net	2,090	-	-	2,090
Due from other governmental units	15,764	-	-	15,764
Total assets	<u>\$250,126</u>	<u>\$1,329</u>	<u>\$73</u>	<u>\$251,528</u>
<u>Liabilities</u>				
Accounts payable	<u>\$5,799</u>	<u>\$241</u>	<u>-</u>	<u>\$6,040</u>
Total liabilities	<u>5,799</u>	<u>241</u>	<u>-</u>	<u>6,040</u>
<u>Fund balances</u>				
Unreserved	<u>244,327</u>	<u>1,088</u>	<u>\$73</u>	<u>245,488</u>
Total fund balances	<u>244,327</u>	<u>1,088</u>	<u>73</u>	<u>245,488</u>
Total liabilities and fund balances	<u>\$250,126</u>	<u>\$1,329</u>	<u>\$73</u>	<u>\$251,528</u>

See accompanying notes to financial statements

Wheeler Township
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
To Net Assets of Governmental Activities on the Statement of Net Assets
For The Year Ended June 30, 2004

Total fund balance - governmental funds		\$245,488
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of capital assets	366,391	
Accumulated depreciation	<u>(186,985)</u>	
		179,406
Net assets of governmental activities		<u><u>\$424,894</u></u>

See accompanying notes to financial statements

Wheeler Township
Statement Of Revenues, Expenditures
And Changes In Fund Balances
Governmental Funds
Year Ended June 30, 2004

	MAJOR FUNDS			Total Governmental Funds
	General Fund	Street Light	Capital Projects	
Revenues				
Taxes and penalties	\$74,195	\$2,836	-	\$77,031
Licenses and permits	1,200	-	-	1,200
State grants	99,133	-	-	99,133
Charges for services	13,637	-	-	13,637
Interest and rentals	9,629	-	-	9,629
Other revenues	1,964	-	-	1,964
Total revenues	199,758	2,836	-	202,594
Expenditures				
General government	121,412	-	-	121,412
Public safety	38,445	-	-	38,445
Public works	51,289	3,736	\$27	55,052
Recreation and cultural	5,383	-	-	5,383
Other	16,860	-	-	16,860
Capital outlay	23,184	-	-	23,184
Total expenditures	256,573	3,736	27	260,336
Excess of revenues over (under) expenditures	(56,815)	(900)	(27)	(57,742)
Other financing sources (uses)				
Operating transfers in	-	550	100	650
Operating transfers out	(650)	-	-	(650)
Excess of revenues and other sources over (under) expenditures and other uses	(57,465)	(350)	73	(57,742)
Fund balance - beginning of year	311,058	1,438	-	312,496
Prior period adjustment	(9,266)	-	-	(9,266)
Fund balance - end of year	\$244,327	\$1,088	\$73	\$245,488

See accompanying notes to financial statements

Wheeler Township
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended June 30, 2004

Net change in fund balances - total governmental funds	(\$57,742)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Add: capital outlay	23,184
Deduct: depreciation expense	<u>(10,057)</u>
Change in net assets of governmental activities	<u>(\$44,615)</u>

See accompanying notes to financial statements

NOTES TO THE FINANCIAL STATEMENTS

Wheeler Township
Notes To The Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Wheeler Township have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

New Accounting Standards Adopted

In June of 1999, the Governmental Accounting Standards Board issued Statement 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement establishes new financial reporting requirements for state and local governments throughout the United States. They require new information and restructure much of the information that governments have presented in the past.

The Township has adopted the provisions of GASB Statement 34 for its fiscal year ended June 30, 2004. With the implementation of GASB 34, the Township has prepared required supplementary information titled *Management's Discussion and Analysis* which precedes the basic financial statements.

Other GASB Statements are required to be implemented in conjunction with GASB Statement 34. Therefore, the Township has implemented the following additional GASB Statements:

- # 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – (an Amendment to No. 34)*
- # 38 – *Certain Financial Statement Note Disclosures.*

Reporting Entity

The Township is governed by a Township Board consisting of five members and provides services to its over 1,000 residents in many areas including public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements and general administrative services. The accompanying financial statements present only the primary government as the Township does not have any component units.

Wheeler Township
Notes To The Financial Statements

Joint Venture

The Township is a member of the Breckenridge-Wheeler Township Fire-Rescue Department Joint Venture, which provides fire and rescue services to residents of Wheeler Township and the Village of Breckenridge. The participants provide annual funding for its operations. During the current year, the Township contributed approximately \$34,000 for its operations. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the year ended March 31, 2003 can be obtained from the administrative offices at Breckenridge-Wheeler Township Fire-Rescue Department, P.O. Box 68, Wheeler, MI 48662.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Wheeler Township
Notes To The Financial Statements

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements - The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st.

Although the Township's 2003 ad valorem tax is levied and collectible on December 1st, 2003, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2003 taxable valuation of the Township totaled \$53.1 million, on which advalorem taxes levied consisted of 1.0285 mills for the Township operations. This amount is recognized in the general fund financial statements as tax revenue.

Wheeler Township
Notes To The Financial Statements

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Street Light Fund accounts for the proceeds of specific revenue sources that are restricted to expenditures for the Township's street lights.

The Capital Projects Fund accounts for financial resources accounts for financial resources used for the acquisition, construction, and improvement of major capital facilities other than those financed by proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

In general, outstanding balances between funds are reported as "due to / from other funds". Activity between funds that is representative of lending / borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to / from other funds". Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances".

All trade receivables are shown as net of allowance for uncollectible amounts.

Inventories

The Township does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased.

Wheeler Township
Notes To The Financial Statements

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as individual assets with an initial cost equal to or more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Equipment and Furnishings	5-15
Buildings and Improvements	15-50
Land	Not Applicable – Not Depreciated

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Wheeler Township
Notes To The Financial Statements

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Township adopts budgets for the general fund and all major funds. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the function level.

Formal budgetary integration is employed as a management control device during the year for the general fund and all other major funds.

The Township does not maintain a formalized encumbrance accounting system.

Excess of Expenditures over Appropriations in Budgeted Funds

During the year ended June 30, 2004, the Township incurred expenditures in excess of the amounts appropriated as shown on pages 16 - 18 of this report.

NOTE 3 - DETAIL NOTES

Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorized the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Wheeler Township
Notes To The Financial Statements

The Township has designated two banks for the deposit of Township funds. The investment policy adopted by the Township in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State Statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At June 30, 2004, the carrying amount of the Township's deposits and investments was \$233,674 as follows:

Cash and cash equivalents	\$216,844
Investments	16,830
Total	\$233,674

At year end, the carrying amount of the Township's cash deposits and investments was \$233,674 and the bank balance was \$220,324. Of the bank balance, \$162,217 was covered by federal depository insurance and \$16,830 was collateralized by U.S. Treasury bonds held by the pledging financial institution's trust department in the Township's name, and \$41,277 was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Governmental Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the Township's investment balances were all categorized as category 1.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits government funds and accesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Due from Other Governmental Units

As of June 30, this receivable consisted of amounts to be received from the State of Michigan for revenue sharing.

Wheeler Township
Notes To The Financial Statements

Capital Assets

Capital assets of the primary government for the current year are as follows:

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
Land – Not Depreciated	\$37,600			\$37,600
Equipment and Furnishings	67,944	\$4,739	(\$33,592)	39,091
Buildings and Improvements	271,255	18,445		289,700
Sub-totals	376,799	23,184	(33,592)	366,391
Accumulated Depreciation	176,928	10,057	-	186,985
Totals	\$199,871	\$13,127	(\$33,592)	\$179,406

Depreciation expense of \$10,057 was charged to the general government program.

The Township is considered a “Phase 3” Government, as defined by GASB 34. Accordingly, the Township has elected to not retroactively apply the reporting of major general infrastructure assets.

NOTE 4 - OTHER INFORMATION

Risk Management

Michigan Municipal Risk Management Authority

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker’s compensation). The Township has purchased commercial insurance for these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Retirement Plan

The Township has a defined contribution pension plan for all elected officials. Contributions are based on an annual compensation schedule and are made annually. The Township is responsible to contribute 15% of an employee’s annual salary and all administrative and service fees.

Wheeler Township
Notes To The Financial Statements

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. The amounts participants receive depend solely on the amounts contributed to the participant's account and the returns earned on those contributions. During the year, the Township's actual contributions to the plan amounted to \$5,852. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

Building Inspection Department Fund

Public Act 245 of 1999 was signed on December 28, 1999 and took immediate effect. This act amends the State Construction Code Act (Public Act 230 of 1972) and requires, among other things, the establishment of a special revenue fund to account for the revenues and expenditures associated with issuing building permits, examining plans and specifications, inspecting construction before issuing permits, and issuing certificates of use and occupancy.

The Township has not established this fund because the fee structure is not intended to recover the full cost and the Township has the ability to tract the full cost and revenues of this activity without creating a separate fund.

The revenues generated under this act for the year ended March 31, 2004 were \$1,300. The expenditures incurred for this activity during the year ended March 31, 2004 were \$1,600.

REQUIRED SUPPLEMENTAL INFORMATION

Wheeler Township
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes and penalties	\$77,200	\$77,200	\$74,195	(\$3,005)
Licenses and permits	1,300	1,300	1,200	(100)
State grants	110,300	110,300	99,133	(11,167)
Charges for services	14,750	14,750	13,637	(1,113)
Interest and rentals	16,000	16,000	9,629	(6,371)
Other revenues	800	800	1,964	1,164
Total revenues	220,350	220,350	199,758	(20,592)
Expenditures				
General government	116,425	124,273	121,412	2,861
Public safety	30,350	37,037	38,445	(1,408)
Public works	75,100	75,100	51,289	23,811
Recreation and cultural	6,500	6,500	5,383	1,117
Other	17,500	17,500	16,860	640
Capital outlay	50,000	35,750	23,184	12,566
Total expenditures	295,875	296,160	256,573	39,587
Excess of revenues over (under) expenditures	(75,525)	(75,810)	(56,815)	18,995
Other financing sources (uses)				
Operating transfers out	-	-	(650)	(650)
Excess of revenues and other sources over (under) expenditures and other uses	(75,525)	(75,810)	(57,465)	18,345
Fund balance - beginning of year	311,058	311,058	311,058	-
Prior period adjustment	-	-	(9,266)	(9,266)
Fund balance - end of year	<u>\$235,533</u>	<u>\$235,248</u>	<u>\$244,327</u>	<u>\$9,079</u>

See accompanying notes to financial statements

Wheeler Township
Budgetary Comparison Schedule for the Street Light Fund
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes and penalties	<u>\$2,150</u>	<u>\$2,150</u>	<u>\$2,836</u>	<u>\$686</u>
Total revenues	2,150	2,150	2,836	686
Expenditures				
Public works	<u>2,250</u>	<u>2,250</u>	<u>3,736</u>	<u>(1,486)</u>
Total expenditures	<u>2,250</u>	<u>2,250</u>	<u>3,736</u>	<u>(1,486)</u>
Excess of revenues over (under) expenditures	(100)	(100)	(900)	(800)
Other financing sources (uses)				
Operating transfers in	<u>-</u>	<u>-</u>	<u>550</u>	<u>550</u>
Excess of revenues and other sources over (under) expenditures and other uses	(100)	(100)	(350)	(250)
Fund balance - beginning of year	<u>1,438</u>	<u>1,438</u>	<u>1,438</u>	<u>-</u>
Fund balance - end of year	<u>\$1,338</u>	<u>\$1,338</u>	<u>\$1,088</u>	<u>(\$250)</u>

See accompanying notes to financial statements

Wheeler Township
 Budgetary Comparison Schedule for the Capital Projects Fund
 For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Expenditures				
Public works	-	-	\$27	(\$27)
Total expenditures	-	-	27	(27)
Excess of revenues over (under) expenditures	-	-	(27)	(27)
Other financing sources (uses)				
Operating transfers in	\$100	\$100	100	-
Excess of revenues and other sources over (under) expenditures and other uses	100	100	73	(27)
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$100	\$100	\$73	(\$27)

See accompanying notes to financial statements



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Board of Trustees
Wheeler Township, Gratiot County

We have audited the financial statements of the governmental activities and each major fund of Wheeler Township (the Township) as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Township, in a separate letter dated September 1, 2004.

This report is intended solely for the information of the audit committee, management, others within the organization and Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Roslund, Prestage & Co, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

September 1, 2004



Management Letter

Members of the Board
Wheeler Township
Wheeler, Michigan

In planning and performing our audit of the financial statements of Wheeler Township for the fiscal year ended June 30, 2004, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our audit report dated September 1, 2004 on the financial statements of Wheeler Township.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience.

Sincerely,

Roslund, Prestage & Co, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

September 1, 2004

Organizational Structure

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Township Board remains involved in the financial affairs of the Township to provide oversight and independent review functions, including the review of paid invoices, cancelled checks, and bank statements.

Fund Balance

The balance in the "Fund Balance" account should change only at the end of each fiscal year. This account will increase by the "profit" or decrease by the "loss" when the year-end closing entry is posted. During our audit we found that fund balance did not agree with the balance at the end of the last audited financial statements (June 30, 2004) for the general fund.

In the future, we recommend that management prepare a reconciliation of fund balance at the end of each fiscal year to determine that the fund balances for each fund agrees with the amounts shown in the prior audited financial statements.

Cancel Invoices and Supporting Documents

The Company does not have a policy of canceling invoices and supporting documents at the time the invoices are paid. Thus, the invoices are susceptible to unintentional duplicate payment. A simple control against this danger is to mark invoices with a "Paid" stamp or other indication of payment while they are in the custody of the check preparer or signer. The stamp should provide for notation of check number and date and initials of the persons who checked the invoice detail (for example, comparison of quantity on invoice to that on receiving report and mathematical check) and approved it for payment. Such a procedure would add very little time to the bill-paying process but would serve as a reminder to the bill processor of steps to be performed, an indication to the check signer that those steps were done, and prevention against repayment of the invoice.

Perform a Fraud Risk Assessment

In light of the recent frauds involving large companies in the last few years, such as Enron, WorldCom, and HealthSouth, there may be a misperception that fraud affects only large organizations. However, fraud occurs in organizations of all sizes, and almost any employee may be capable of perpetrating a fraudulent act given the right set of circumstances.

Whereas the highly publicized frauds mentioned above involved fraudulent financial reporting, for small organizations, one of the primary fraud risks is the ever-present risk of misappropriation of assets (theft), particularly in the area of cash receipts and disbursements. The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. To address this risk, we recommend that the Township perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the Township's internal control should include performance of this assessment, even though our annual financial statement audits include consideration of fraud.

The fraud risk assessment can be informal and performed by a management-level individual who has extensive knowledge of the Township. Ordinarily, the management-level individual would conduct interviews or lead group discussions with personnel who have extensive knowledge of the Township, its environment, and its processes. The fraud risk assessment process should consider the Township's vulnerability to misappropriation of assets.

When conducting the self-assessment, questions such as the following can be considered:

- What individuals in the Township have the opportunity to misappropriate assets?
- Are there any known pressures that would motivate employees with the opportunity to misappropriate assets?
- What assets of the Township are susceptible to misappropriation?
- Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?
- How could assets be stolen?
- How could potential misappropriation of assets be concealed?
- What factors might indicate that the Township has a culture or environment that would enable management or employees to rationalize committing fraud?